

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

DOCKET FILE COPY RECEIVED
ORIGINAL

JAN 26 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Amendments to Uniform System of Accounts) CC Docket No. 97-212
for Interconnection)

REPLY COMMENTS OF BELL SOUTH

BellSouth Corporation and BellSouth Telecommunications, Inc. (BellSouth)
hereby Reply to the Comments submitted in response to the Notice of Proposed
Rulemaking (NPRM), FCC 97-355, released October 7, 1997 in the captioned proceeding.

In its opening Comments, BellSouth demonstrated that the proposed new accounts
and subsidiary record keeping requirements are unnecessary, potentially misleading,
contrary to the underlying principles of the Uniform System of Accounts, and
administratively burdensome. The vast majority of the commenting parties share
BellSouth's assessment.¹

Regarding the necessity of new Part 32 accounts and subsidiary record keeping
requirements, USTA demonstrates in detail how the existing Part 32 accounts can be used

¹ Comments were filed by Ameritech, the Bell Atlantic Telephone Companies (Bell Atlantic); BellSouth Corporation and BellSouth Telecommunications, Inc. (BellSouth); Cox Communications, Inc. (Cox); General Communications, Inc. (GCI); the General Services Administration (GSA/DOD); MCI Telecommunications Corporation (MCI); the National Exchange Carrier Association, Inc. (NECA); the Puerto Rico Telephone Company (PRTC); the United States Telephone Association (USTA); United Utilities, Inc. (United), and the Staff of the Washington Utilities and Transportation Commission (WUTC).

No. of Copies rec'd
List A B C D E

0 + 7

1 CB

to account for interconnection and unbundled network elements, transport and termination, and resale. Other parties agree.²

Many parties also note the inconsistency between the proposed new accounts and subsidiary record keeping requirements and the principles underlying the USOA.³ As GTE notes, "Section 252 costs and Part 32 costs are like apples and oranges."⁴ This disparity has the potential to result in highly misleading records. Even the interexchange carrier commenters recognize this problem. Thus, GCI notes:

GCI believes that the total fully distributed cost (FDC) of the unbundled element must be recorded in the subsidiary accounts, not the total amount of costs based on the revenues received. If the revenues received are recorded, the ILEC is then recording other costs associated with an element in some other account, where it is being paid for by other carriers.⁵

Likewise MCI objects to the Commission's proposal:

MCI strongly objects to this proposal [equating revenues with costs] as it would undermine competition in local markets by allowing the ILEC to include a portion of facilities for which they have been fully compensated by competitive local exchange carriers ("CLECs") in its rate base.⁶

While BellSouth strongly disagrees with MCI's assertion that ILECs are "fully compensated" by any pricing methodology that ignores the prudently incurred cost of providing service, the point is that the Commission's proposal creates such a disparity in

² See Ameritech at 1-3, 8 (subsidiary accounting records); Bell Atlantic at 6-9; GTE at 2, 8-9; PRTC at 4.

³ Ameritech at 6-7; Bell Atlantic at 5-6; PRTC at 3; United at 3; USTA at 7-8; GTE at 3.

⁴ GTE at 6.

⁵ GCI at 4.

⁶ MCI at 3.

the accounting records of the companies.⁷ The Commission can avoid this problem by maintaining the historical cost basis for Part 32 accounts and records.

With regard to the burdens that the proposals in the NPRM would impose on ILECs, most parties focused on the proposed subsidiary record keeping requirements. Ameritech notes that it has over 150 negotiated agreements and over 200 unbundled network elements that would have to be tracked under the Commission's proposal.⁸ Bell Atlantic asserts that it would be required to perform at least 75 separate special cost studies at a cost of at least \$1.2 million.⁹ United notes that for UNEs, approximately 1400 new subaccounts are involved. As United states:

ILECs are being mandated to be more efficient, to reduce their costs, and are being prodded through the Universal Service Order to reduce their Corporate Operations Expenses, while this NPRM adds to the corporate operations economic burden.”¹⁰

GTE, PRTC and USTA also note the burdensome nature of the subsidiary record keeping requirements proposed in the NPRM.¹¹ Neither the NPRM nor the commenters supporting the proposals in the NPRM have offered any evidence that the benefits to be derived from the new subsidiary record keeping requirements outweigh their costs to the ILECs. Since these costs will be incurred by the ILECs, but not their CLEC competitors,

⁷ MCI's "solution" for the problem it recognizes is for the Commission to declare "that all embedded costs associated with facilities purchased by new entrants are removed from the ILEC's rate base." MCI at 4. MCI offers not a scintilla of legal analysis supporting the disallowance of the prudent costs actually incurred by the ILECs. By contrast, see the Affidavit of J. Gregory Sidak attached to the comments of USTA, which contains an extensive legal analysis of the "regulatory contract" and "takings" jurisprudence.

⁸ Ameritech at 8-9.

⁹ Bell Atlantic at 3-4.

¹⁰ United at 6.

¹¹ GTE at 2, 6; PRTC at 4-5; USTA at 10.

the proposals in the NPRM are inherently anticompetitive. The Commission should take this impact into consideration when evaluating the comments of the non-ILEC parties to this proceeding.

Cox not only suggests additional accounts not proposed in the NPRM, but also suggests full separate accounting treatment for expenses incurred in providing interconnection, unbundled network elements, transport and termination, as opposed to maintaining subsidiary accounting records for these expenses.¹² Cox makes no attempt to estimate the cost or the administrative burden to the LECs that its proposal would impose. Nor does it demonstrate any need for such burdensome requirements, other than to parrot the conclusory statement from the NPRM that such information “would support the Commission’s goals in this proceeding by ensuring access to data necessary to monitor the development of local competition and ILEC compliance with the requirements of the 1996 Act.”¹³ Cox does not say how access to the accounting data it proposes would further the Commission’s goals.¹⁴ This is the same disconnect that is present in the NPRM, where goals are stated that are disembodied from the requirements sought to be imposed. Cox claims that the principal benefit of its proposal is “transparency,” which it defines as “the ability of state and federal regulators, competitors and consumers to observe and monitor

¹² Cox at 2, proposing “accounts for revenues and expenses associated with interconnection separately, access to unbundled network elements separately, transport separately and termination separately. See also, GCI at 3-4 (proposing separate accounts for interconnection and UNEs). But see GSA/DOD at 6 (“additional primary accounts are not necessary.”)

¹³ Cox at 2.

¹⁴ See, e.g., MCI at 6 (“Because transport and termination will be purchased together whenever two carriers interconnect, and regardless of whether the CLEC is providing service through UNEs or on its own network, one account for transport and termination and one account for expenses should be sufficient”)

the relative use of the different functionalities by different ILECs.”¹⁵ But it is the CLEC, not the ILEC, that chooses to use one “functionality” rather than another. Cox makes no attempt to show how the accounting data it proposes would assist regulators in assuring compliance with the Act, or why less intrusive alternatives are not sufficient. Thus, Cox’s proposals are inadequately supported and must be rejected.

GCI asks the Commission to declare that the accounting information created as a result of this proceeding shall be “open and non-confidential.”¹⁶ Not only is this suggestion beyond the scope of this proceeding, it is also premature. Depending on the degree of granularity of the information collected as a result of this proceeding, the information may be competitively sensitive. There is no reason for the Commission to decide now whether information created as a result of this proceeding is entitled to confidential treatment.¹⁷

GSA/DOD agrees with the NPRM that no new accounts are necessary to monitor infrastructure sharing, but proposes “detailed supporting records” to monitor infrastructure sharing. GSA/DOD acknowledges that shared infrastructure cannot be used “to compete directly with the ILEC.”¹⁸ Nevertheless, GSA/DOD seeks to justify imposing new record keeping requirements associated with infrastructure sharing on the theory that such records are required “as checks on the ability of ILECs to charge rates for sharing that are out of line with costs, and thus impede open competition.”¹⁹ GSA/DOD confuse

¹⁵ Cox at 8.

¹⁶ GCI at 2.

¹⁷ Compare GTE at 3 (Including competitively sensitive information in accounting records “would require the filing of separate public and confidential versions of ARMIS reports.”)

¹⁸ GSA/DOD at 8.

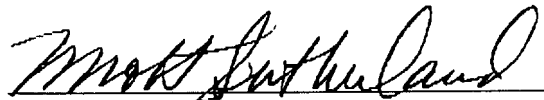
¹⁹ GSA/DOD at 9.

infrastructure sharing with access to unbundled network elements. The "infrastructure" cited by GSA/DOD, such as operations support systems and directory assistance, are subject to the network unbundling, not infrastructure sharing, provisions of the 1996 Act. Therefore, the additional recordkeeping requirements proposed by GSA/DOD are unsupported and unjustified.²⁰

As this analysis of the record demonstrates, the proposed new accounts and subsidiary record keeping requirements are unnecessary, inconsistent with the USOA, misleading, and burdensome. The Commission should decline to adopt the proposals contained in the NPRM.

Respectfully submitted,

BELLSOUTH CORPORATION and
BELLSOUTH TELECOMMUNICATIONS, INC.,
By its attorney,



M. Robert Sutherland
1155 Peachtree Street, N.E., Suite 1700
Atlanta, GA 30309

(404) 249-4839

January 26, 1998

²⁰ Compare GTE at 7 ("Infrastructure sharing arrangements have been in place since before the passage of the 1996 Act and have been easily accommodated by existing Part 32 accounts.")

CERTIFICATE OF SERVICE

I hereby certify that I have this 26th day of January 1998, serviced all parties to this action with the foregoing REPLY COMMENTS, reference docket CC 97-212, by hand service or by placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties as set forth on the attached service list.


Julia W. Spires

*Secretary
Federal Communications Commission
Washington, DC 20554

*Matthew Vitale
Accounting and Audits Division
Common Carrier Bureau
2000 L Street, N.W. Room 200F
Washington, DC 20554

*International Transcription Services, Inc.
1231 20th Street, N.W.
Washington, DC 20036

David L. Meier, Director
Regulatory Affairs
Cincinnati Bell Telephone
201 E. Fourth Street
P. O. Box 2301
Cincinnati, Ohio 45201-2301

Nancy Rue
Frost & Jacobs, LLP
Attorneys for Cincinnati Bell Telephone Company
201 East Fifth Street
Cincinnati, Ohio 45202

Thomas E. Taylor
Sr. Vice President - General Counsel
Cincinnati Bell Telephone Company
201 East Fourth Street, 6th Floor
Cincinnati, Ohio 45202

James D. Ellis
Robert M. Lynch
Attorneys for SBC Communications, Inc.
175 E Houston, Room 1254
San Antonio, TX 78205

Lucille M. Mates
Attorney for SBC Communications, Inc.
140 New Montgomery Street, Room 1526
San Francisco, CA 94105

Durward D. Dupre
Mary W. Marks
Jonathan W. Royston
Attorneys for Southwestern Bell Telephone Company
One Bell Center, Room 3520
St. Louis, MO 63101

Mark Johnson
United Utilities, Inc.
5450 A Street
Anchorage, AK 99518

Richard A. Askoff
Attorney for
National Exchange Carrier Association, Inc.
100 South Jefferson Road
Whippany, New Jersey 07981

Paul Curl, Acting Secretary
Washington Utilities and Transportation Commission
P. O. Box 47250
Olympia, Washington 98504-7250

Tina M. Pidgeon
Drinker Biddle & Reath LLP
Attorney for Puerto Rico Telephone Company
901 15th Street, N.W.
Suite 900
Washington, DC 20005

Kathy L. Shobert
Director, Federal Affairs
General Communication, Inc.
901 15th Street, N.W., Suite 900
Washington, DC 20005

Mary McDermott
Linda Kent
Keith Townsend
Hance Haney
Attorneys for United States Telephone Association
1401 H Street, NW, Suite 600
Washington, DC 20005

Emily C. Hewitt, General Counsel
George N. Barclay, Associate General Counsel
Michael J. Ettner, Senior Assistant General Counsel
Personal Property Division
General Services Administration
1800 F Street, N.W., Room 4002
Washington, DC 20405

Robert N. Kittel
Chief, Regulatory Law Office
Cecil O. Simpson, Jr.
General Attorney
Office of the Judge Advocate General
U.S. Army Litigation Center
901 N. Stuart Street, Suite 1713
Arlington, VA 22202-1837

Don Sussman, Regulatory Analyst
Federal Law & Public Policy
MCI Telecommunications Corporation
1801 Pennsylvania Avenue, N.W.
Washington, DC 20006

Alan N. Baker
Attorney for Ameritech
2000 West Ameritech Center Drive
Hoffman Estates, IL 60196

Lawrence W. Katz
Attorney for the Bell Atlantic Telephone Companies
1320 North Court House Road
8th Floor
Arlington, VA 22201

Edward D. Young, III
Michael E. Glover
Of Counsel
Bell Atlantic Telephone Companies
1320 North Court House Road
8th Floor
Arlington, VA 22201

Jeffrey S. Linder
Suzanne Yelen
Kenneth J. Kristo
Wiley, Rein & Fielding
Attorneys for GTE Service Corporation
1776 K Street, N.W.
Washington, DC 20006

Gail L. Polivy
GTE Service Corporation
1850 M Street, N.W.
Suite 1200
Washington, DC 20036

John F. Raposa
GTE Service Corporation
P. O. Box 152092
Irving, TX 75015

Laura H. Phillips
J. G. Harrington
Christopher D. Libertelli
Dow, Lohnes & Albertson, PLLC
Attorneys for Cox Communications, Inc.
1200 New Hampshire Avenue, N.W.
Suite 800
Washington, DC 20036

Snavelly King Majoros O'Connor & Lee, Inc.
Economic Consultant for
Cox Communications, Inc.
1200 L Street, N.W., Suite 410
Washington, DC 20005